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FOIA CONFIDENTIAL TREATMENT REQUEST  
BY EMAIL

October 20, 2017

Brent Mitchell  
Senior Counsel – Division of Enforcement  
U.S. Securities and Exchange Commission  
100 F Street NE  
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Mitchellb@sec.gov

**RE:      *In re Kik Interactive (HO 13388)***

Dear Brent:

I write in response to the factual questions set forth in your October 11, 2017 letter (the “Request”) concerning Kik Interactive Inc. (“Kik” or the “Company”).

**1.      When were the sales of the SAFTs? When were the sales of Kin?**

The SAFTs were executed between July 3 and September 11, 2017. The public sale of Kin took place between September 12 and 26, 2017. Please note that pre-sale participants who were parties to the SAFTs received Kin at the same time as public sale participants.

**2.      What entity sold the SAFTs? What entity sold Kin?**

Kik was the entity that executed the SAFTs with pre-sale investors. Kik also minted Kin and issued the Kin to public sale participants and pre-sale participants, and allocated a portion of the Kin to the Kin Ecosystem Foundation (“KEF”).

**3.      Who holds the proceeds of the sales? Where?**

Kik holds the proceeds of the pre-sale of Kin through the SAFTs at TD Bank in Canada (381 King Street West, 2nd Floor, Kitchener, Ontario N2G 1B8) in United States dollars. The proceeds of the pre-sale are held in a separate account until they are needed to fund the Company’s operations.

The 168,732 Ether received from the public sale was received by Kik in its Ether wallet, set up through “My Ether Wallet.” Subsequent to the public sale, Kik converted some of the Ether into U.S. dollars. The proceeds from those conversions are held at Silvergate Bank (4520 Executive Square, Suite 300, La Jolla, CA 92037). As with the pre-sale proceeds, these funds are being held in a separate account until they are needed to fund Kik’s operations.



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To convert Ether to U.S. dollars, Kik executes trades through Cumberland Mining & Materials LLC ("Cumberland"), a digital currency trading company, which quotes Kik the current conversion rate and fee. Kik then transfers Ether to Cumberland, Cumberland effects the conversion (usually through a block trade with someone purchasing Ether), and Cumberland then transfers the U.S. dollars to Silvergate Bank.

As of October 18, 2017, Kik has converted 82,284 Ether for \$24,700,436. Of the 86,448 Ether remaining, Kik expects to convert some portion to U.S. dollars by the end of November 2017. Kik also expects to retain some of the proceeds in Ether while it evaluates its operating cash requirements and the Ether market to determine when and how much Ether to convert.

**4. What are Kik's plans for the next six to 12 months for the proceeds of the sales?**

Kik intends to use the sale proceeds for operating expenses and to build out the Kik app to further incorporate the use of Kin and further integrate with the Kin ecosystem. Kik plans to integrate various features to the new iteration of the Kik app in December 2017, as discussed in Kik's response to question 15. Kik forecasts (the 2018 budget has not been approved yet) that \$43 million of the proceeds will be used in the next twelve months.

In addition, it is anticipated that the KEF will use a portion of its allocation of Kin to support the development of the Kin ecosystem.

**5. What emails in the spreadsheet at KIK000109 are also emails for Kik app users? Please produce a revised version of the spreadsheet with a field for Kik membership.**

Kik is working on gathering information responsive to this question. Please note, however, that Kik users who participated in the public sale of Kin could have used different email accounts for their Kik accounts and for the registration process for the Kin public sale. Accordingly, we may not be able to identify all of the public sale participants who are also Kik users

To elaborate, Kik has no definitive way of knowing how many public sale Kin holders have Kik accounts. As of the date of this response, Kik only knows the number of Kik users who linked an external wallet that holds Kin to their Kik accounts. Linking an external wallet allows Kik users to view the amount of Kin that a Kik user holds which enables Kik to reflect that amount on a dashboard within Kik. In that way, Kik is able to identify the sticker level attained by that holder. However, to be clear, that external wallet is not stored within the Kik app. To link an external wallet that holds Kin (which again only enables Kik to see the balance of Kin held in the external wallet) requires a Kik user to take affirmative action by logging into his or her Kik account and linking his or her wallet. Thus, it is highly likely that some Kik users, who are also Kin holders, have not yet linked their external wallets to their Kik accounts. However, to date,



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1,712 public sale participants have linked an external wallet that holds Kin to their Kik account, meaning that at least 1,712 public sale participants have Kik accounts. As more Kik users link external wallets to their accounts, this number will likely increase.

**6. What data does Kik maintain about Kik app users—for example, name, address, phone number, email address, date of joining, age, location, whether they have a Kin wallet, whether they have Kin, whether they have used Kin, etc.?**

Kik maintains certain self-reported data about Kik app users to the extent such data is reported, as listed below. Please note that “user-name,” “name,” and “email” are the only required fields to create a Kik account, and Kik does not verify the user’s name or email address.

- User-name
- Email address
- Name
- Age
- Phone number

Kik also maintains data showing the date a user joined Kik, whether users linked an external wallet that holds Kin, amount of Kin in a Kik user’s external wallet, and the user’s status level.

**7. Where can people hold Kin now? Can they be held outside of Kik or the Kik app?**

Kin purchased by the pre-sale and public sale participants can only be held outside of the Kik app by the pre-sale and public sale participants. Specifically, pre-sale and public sale participants must hold their Kin in an external wallet.

However, as discussed below, Kik has awarded Kin to 1,000 of its most active users. This Kin is held in a Master Wallet, maintained by Kik within the Kik app. These Kik users must accept the Kin and the associated terms of use before having ownership over the gifted Kin. Once a user accepts, he or she has a Kin Wallet dashboard populated in his or her Kik account. Please note that because this gifted Kin is held in the Master Wallet, Kik users cannot exchange the gifted Kin on the secondary market or transfer it to another Kik user at this time, but the Kin entitles them to different status and sticker levels.



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**8. How do people hold Kin with Kik or in the Kik app? How many Kik app users have Kin in the Kik app? How many Kik app users do not have Kin?**

As stated above, Kik users who participated in the pre-sale or public sale cannot “hold” Kin in the Kik app. Instead the Kik dashboard displays a user’s balance of Kin in his or her external wallet (or Kik Master Wallet for those users gifted Kin).

As of the date of this response, roughly 1,712 public sale participants have linked a wallet that holds Kin to their accounts. This means there are at least 1,712 Kik users that own Kin.

There are roughly 3.24 million daily active Kik users. However, please note that approximately 10,000 individuals and entities participated in the public sale, thus, not all Kin purchasers have linked a wallet to Kik.

**9. What Kin transactions have happened?**

Kin holders have been granted certain sticker status levels within Kik based on the amount of Kin they hold. The status levels provide Kin holders with access to exclusive content within Kik, primarily sticker packs at the present time.

Kik’s data to date indicates that 499 users have downloaded one or more Kin sticker packs. Twenty-six percent of public sale participants with a linked wallet have downloaded one or more Kin sticker packs; 37% of awarded employees/ board members have downloaded one or more Kin packs; 9% of Kik users who were gifted Kin have downloaded one or more Kin packs; 246 unique users have shared one or more Kin stickers; 8% of Linked Wallet TDE participants have shared one or more Kin stickers; and 24% of Awarded employees/ board members have shared one or more Kin stickers.

As the initial user of the Kin ecosystem, Kik plans to integrate various features to the new iteration of the Kik app in December 2017, as discussed in Kik’s response to question 15. However, Kik is carefully considering whether introducing some functions will cause Kik to be classified as a money transmitter. Kik is carefully assessing the responsibilities that would come with being a money services business and expects to introduce features only when a fully compliant program is in place. Finally, Kik continues to evaluate the safety of its users when this functionality is rolled out.

Additionally, Kik is aware that there has been secondary trading on exchanges, visible on etherscan.io.



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**10. What Kin transactions are currently possible? Can Kin holders purchase services or products? On what platform?**

Please see Kik's response to question 9 above.

**11. Is anyone other than Kik offering services or products in return for Kin?**

As we discussed previously, Kik is the initial user of the Kin ecosystem. Kik is currently working with a group of 20 artists and content creators to create unique content offerings utilizing the Kin ecosystem to connect to the Kik user base. These will be submitted to the App Store and Google Play store in December 2017. The Foundation, with the assistance of Kik, will begin working with other digital services outside of Kik to implement Kin in those digital services providers' unique product offerings.

**12. What data do you have about Kin transactions—for example, a transaction's time, counterparties, amount of Kin, other consideration, etc.?**

Kik has no such data since it does not facilitate any transactions in Kin other than through the gifting of Kin to Kik users. If a participant in the Kin public offering disposes of Kin, such transaction would be publicly available via the Ethereum network (etherscan.io).

**13. Is there secondary trading of Kin now? If so, where?**

According to coinmarketcap.com, secondary trading is occurring on EtherDelta and Mercatox.

**14. Does Kik have any partners in developing the "Kin Ecosystem" in which people would offer services or products in return for Kin? If so, who and what are their roles? What contracts or agreements exist?**

As discussed in question 11, Kik is the initial user of the Kin ecosystem and is working with third-party content developers to create a marketplace where Kin is the medium of exchange. Similarly, there are other digital services, outside of Kik, that are evaluating the opportunity in the Kin ecosystem to develop marketplaces that will also use Kin. Technical evaluations are underway to work through the infrastructure that will empower interoperability in the Kin ecosystem.

**15. What are Kik's plans for the next six to 12 months to develop the Kin Ecosystem?**

As the initial user of the Kin ecosystem, Kik has developed plans to implement four major additions to its product platform by December 5, 2017, which is the unofficial deadline to submit



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new app versions to the Apple Store and Google Play store before the holidays, although no assurances can be given that Kik will accomplish all of its goals by this time.

First, Kik intends to gift Kin to 9,000 more Kik users, who are active in the Kik community. Second, Kik plans to introduce a full chain solution for transactions based on the Ethereum network. Third, users will be given three different ways to earn Kin, including uploading a sticker to the sticker shop, reporting bugs and/or safety issues on the platform, and brand interactions (surveys). Finally, users will be able to spend Kin on premium content, such as stickers. Kik is currently in negotiations with several brands regarding their creation of premium content.

Further, in the next 12 months KEF plans to continue to expand the use of Kin on the Kik platform in three stages. First, KEF, with the assistance of Kik, will work on developing a content marketplace in Kik with third-party content developers. Second, KEF will work towards having three to five independent digital services with marketplaces use Kin as a currency. Third, KEF will work on establishing a decentralized ecosystem of digital services that are competing for the Kin Rewards Engine.

**16. Who are the people creating or representing the Kin Foundation? What are their roles? What contracts or agreements exist?**

William Mougayar, author of the Business Blockchain, and William Raduchel, a Harvard economist, have agreed to serve as Directors of KEF, pending execution of formal agreements. Mr. Mougayar has been working on behalf of the KEF as an advisor since April 2017. Mr. Mougayar is also in discussions with a number of other independent individuals to sit on KEF's Board of Directors.

**17. Who writes the posts for the @kin foundation Twitter feed?**

Shannon Gallico, Kik's Social Media Manager, writes the posts for the @kin foundation Twitter feed.

**18. What are the email addresses, phone numbers, Kik user account, and social media handles used for any purpose by Kik's chief executive officer, Kik's chief operating officer /chief financial officers, Kik's chief marketing offer, Kik's senior director of communications, and any person identified in response to the questions above.**

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The information contained in this response is provided subject to, and without waiver of: (1) any objections to the SEC's Requests; (2) any applicable privilege governed by federal or state law including the attorney-client privilege; and (3) any and all other legal rights pertaining to Kik under federal or state law. To the extent any information properly subject to attorney-client or work-product privileges are provided, such disclosure is inadvertent and not intended to constitute a waiver. In the event of such inadvertent disclosure, Kik requests that the privileged material be immediately deleted or otherwise withdrawn from your consideration. Further, this response is based on information that is accurate to the best of the knowledge, information, and belief of Kik, and Kik reserves the right to amend or supplement this response and this production if new or different information becomes known or discovered.

Pursuant to 17 C.F.R. § 200.83 and all other applicable statutes and regulations, Kik requests that any information submitted in connection with this inquiry (including without limitation this letter and the information contained therein) be accorded confidential treatment under the Freedom of Information Act. Kik further requests that the information contained therein not be released to any other persons except as may be necessary to assist in conducting this investigation. In the event that a Freedom of Information Act request is received by the SEC seeking disclosure of this letter or the enclosed information, Kik requests that they be notified



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through their undersigned counsel, so that they can provide additional information substantiating their request for confidential treatment.

Sincerely,

*Patrick Gibbs /BDJ*

Patrick E. Gibbs

PEG:cg

cc: FOIA Office (By Fax)

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